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**MADSEN**  
**RED LAKE GOLD**  
**MINES,**  
**L I M I T E D**

**ANNUAL REPORT**  
**1977**

ANNUAL MEETING MAY 1, 1978



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# MADSEN RED LAKE GOLD MINES, LIMITED

## directors

PAUL H. McCLOSKEY	Toronto
<i>Mining Executive</i>	
HUGH H. MACKAY	Rothsay, N.B.
<i>Director of Pitfield, Mackay, Ross &amp; Company Limited, Investment Dealers</i>	
FOSTER W. HEWITT	Toronto
<i>Radio Executive, President of Radio Station CKFH</i>	
A. D. HELLENS	Toronto
<i>Mining Executive</i>	
R. DUNCAN McCLOSKEY	Toronto
<i>Mining Executive</i>	

## officers

PAUL H. McCLOSKEY, <i>President</i>	Toronto
FOSTER W. HEWITT, <i>Vice-President</i>	Toronto
S. CZARNECKI, <i>Secretary-Treasurer</i>	Toronto
R. DUNCAN McCLOSKEY, <i>Assistant to Secretary-Treasurer</i>	Toronto

## MADSEN RED LAKE GOLD MINES, LIMITED

HEAD OFFICE ..... 11 Adelaide St. W., Suite 800  
Toronto, Canada M5H 1L9

## TRANSFER AGENTS AND REGISTRARS

GUARANTY TRUST COMPANY OF CANADA  
88 University Avenue, 5th floor, Toronto, Canada M5J 1T8  
427 St. James Street West, Montreal, Canada  
THE BANK OF NEW YORK ..... 48 Wall Street, New York 10015, N.Y.

## AUDITORS

JARRETT, GOOLD & ELLIOTT ..... Suite 1406 - Royal Trust Tower  
Box 11, Toronto-Dominion Centre  
Toronto, Ontario M5K 1A7

## LISTED

TORONTO STOCK EXCHANGE ..... 234 Bay Street  
Toronto, Canada M5J 1R1



# REPORT OF THE DIRECTORS

## To The Shareholders:

Your Directors submit the 42nd Annual Report which includes the Auditors' financial statement, covering the year ended December 31, 1977.

Under the terms of an agreement between Madsen and Bulora Corporation Limited, dated September 14, 1974, covering the sale to Bulora of the Company's mine and all adjacent mining properties and all mine buildings and mine equipment in the Red Lake area of Ontario, Madsen was to receive \$1,700,000 in cash and a royalty of 15% of the net proceeds received by Bulora from the operation of the Madsen mine. At December 31, 1977, \$1,500,225 of the \$1,700,000 was paid, leaving an outstanding balance of \$199,775 excluding interest and other charges also covered by the Debenture. It is expected that the outstanding balance owed by Bulora will be paid in full in 1978 through liquidation of remaining assets at the Madsen mine site.

Net earnings after extraordinary item (Note 4) were \$71,501 equal to \$.02 per share compared with \$.022 per share for the year 1976.

Working capital was \$2,656,548 at December 31, 1977, compared to \$2,713,606 at December 31, 1976, reflecting a decrease of \$57,058.00 for the year 1977, due to purchase of additional Madsen shares.

Madsen purchased an additional 112,300 shares, totalling 324,525 shares of its own securities during the year at an average price of 54¢ per share, reflecting the confidence of the Directors in the future of the Company.

Madsen increased its interest in Baffinland Iron Mines during the year from 20.6% to 21%. Baffinland Iron Mines owns large iron ore deposits on Baffin Island. Although not yet under development, the deposits will have substantial future value.

Madsen intends to drop its freehold land holdings in Saskatchewan as the management feels that the political climate in that province discourages development of the property.

Madsen entered a joint venture oil and gas exploration programme in Alberta in 1977. The management and major shareholder of the programme is Signalta Resources

Ltd., a company based in Calgary. Madsen will retain a 4.5833% interest in the venture after payout. To date the estimated reserves of the programme are 6,150 MMCF of natural gas.

There was no change with respect to Lassie Red Lake Gold Mines Limited in the year 1977.

The Company will continue to increase its investment portfolio in the natural resource industry and will consider participation, either directly or through operating companies, in worthwhile ventures.

Respectfully submitted,

P. H. McCLOSKEY,  
President.

Toronto, Ontario,  
March 16, 1978.



# BALANCE SHEET

December 31, 1977

## ASSETS

	1977	1976
<b>CURRENT ASSETS</b>		
Cash .....	\$ 83,727	\$ 1,905
Short-term deposits .....	1,325,044	1,696,203
(Market value 1977 \$1,493,157; 1976 \$1,724,522)		
Accounts receivable .....	21,496	19,727
Marketable securities .....	1,239,108	1,106,252
(Market value 1977 \$1,550,832; 1976 \$1,011,990)		
	<u>2,669,375</u>	<u>2,824,087</u>
NOTE RECEIVABLE (note 2) .....	199,775	249,703
SHARE IN COMPANIES, at cost		
Baffinland Iron Mines Limited		
703,388 shares (1976 680,075 shares) .....	582,279	576,451
Other .....	44,834	44,835
	<u>627,113</u>	<u>621,286</u>
<b>FIXED ASSETS</b>		
Furniture and equipment .....	22,775	20,708
Accumulated depreciation .....	20,418	19,828
	<u>2,357</u>	<u>880</u>
<b>MINING PROPERTIES</b>		
Mining claims .....	26,953	26,953
Deferred exploration expenditure .....	108,038	11,390
	<u>134,991</u>	<u>38,343</u>
	<u>\$3,633,611</u>	<u>\$3,734,299</u>

Approved by the Board:

R. D. McCLOSKEY, Director.

FOSTER HEWITT, Director.

# MADSEN RED LAKE GOLD MINES, LIMITED

(Incorporated under the laws of Ontario)

## LIABILITIES

	1977	1976
CURRENT LIABILITIES		
Accounts payable .....	\$ 12,827	\$ 5,994
Taxes payable .....		104,487
	12,827	110,481
DEFERRED INCOME TAXES .....	44,000	58,000
	56,827	168,481

## SHAREHOLDERS' EQUITY

SHARE CAPITAL (note 3) .....	1,979,497	2,040,032
RETAINED EARNINGS .....	1,597,287	1,525,786
	3,576,784	3,565,818
	<u>\$3,633,611</u>	<u>\$3,734,299</u>

## AUDITORS' REPORT

To the Shareholders,  
Madsen Red Lake Gold Mines, Limited.

We have examined the balance sheet of Madsen Red Lake Gold Mines, Limited as at December 31, 1977 and the statements of retained earnings, earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Company as at December 31, 1977 and the results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario,  
January 16, 1978.

JARRETT, GOOLD & ELLIOTT,  
Chartered Accountants.



# MADSEN RED LAKE GOLD MINES, LIMITED

## STATEMENT OF RETAINED EARNINGS

for the year ended December 31, 1977

	1977	1976
Balance, beginning of year .....	\$1,525,786	\$1,453,103
Net earnings .....	71,501	72,683
Balance, end of year .....	<u>\$1,597,287</u>	<u>\$1,525,786</u>

## STATEMENT OF CHANGES IN FINANCIAL POSITION

for the year ended December 31, 1977

	1977	1976
<b>SOURCE OF WORKING CAPITAL</b>		
From operations		
Earnings before extraordinary item .....	\$ 35,801	\$ 67,683
Items not requiring an outlay of working capital		
Depreciation and amortization .....	590	220
Deferred income taxes .....	(14,000)	(59,000)
	<u>22,391</u>	<u>8,903</u>
Reduction of income taxes (note 4) .....	35,700	5,000
Decrease in note receivable .....	49,928	
	<u>108,019</u>	<u>13,903</u>
<b>APPLICATION OF WORKING CAPITAL</b>		
Purchase of fixed assets .....	2,067	
Outside exploration .....	96,648	3,625
Increase in investment in shares of companies .....	5,827	
Purchase of 112,300 (1976 11,725) shares of share capital of Company .....	60,535	5,724
Reclassification of notes receivable as non-current .....		149,698
	<u>165,077</u>	<u>159,047</u>
<b>DECREASE IN WORKING CAPITAL</b> .....	57,058	145,144
<b>WORKING CAPITAL, BEGINNING OF YEAR</b> .....	2,713,606	2,858,750
<b>WORKING CAPITAL, END OF YEAR</b> .....	<u>\$2,656,548</u>	<u>\$2,713,606</u>
<b>REPRESENTED BY</b>		
Current assets .....	\$2,669,375	\$2,824,087
Current liabilities .....	12,827	110,481
Working capital .....	<u>\$2,656,548</u>	<u>\$2,713,606</u>



# MADSEN RED LAKE GOLD MINES, LIMITED

## NOTES TO FINANCIAL STATEMENTS

December 31, 1977

### 1. Significant accounting policies

#### (a) Fixed assets

Fixed assets are stated at cost less accumulated depreciation. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets over their estimated useful lives on the diminishing-balance basis at an annual rate of 20%.

#### (b) Mining properties and deferred exploration

The Company carries its mining properties at cost. The Company defers the cost of its exploration expenditure and carries it as an asset until the results of the projects are known. If a project is successful the related exploration expenditures are amortized over a period of years, pro rata to anticipated income. If the project is unsuccessful, the exploration expenditure and mining property are written off. The costs of mining properties and deferred exploration expenditure do not necessarily reflect present or future values.

#### (c) Shares in Baffinland Iron Mines Limited

The Company carries its interest in Baffinland Iron Mines Limited, a company engaged in the exploration and development of an iron ore property at cost. Realization of an income on or recovery of the cost of these shares is subject to the development and production in sufficient quantity of ore of economic value.

#### (d) Income taxes

The Company uses the tax allocation method of accounting for taxes on income. Under this method, timing differences between reported income and taxable income result in deferred income taxes. Deferred income taxes arise mainly from the claiming of a reserve against unpaid amounts arising from the sale of its mining property.

#### (e) Foreign currency translations

Short-term deposits, marketable securities, long-term assets and long-term liabilities are translated at the approximate exchange rates at the time of acquisition. Other current assets and current liabilities are translated into Canadian dollars at the approximate exchange rate at December 31, 1977.

Revenues and expenses have been translated at rates prevailing during the year.

### 2. Note receivable

The note receivable bearing interest at 10% per annum matured March 28, 1977 and interest has been paid to that date. No interest has been accrued since March 28, 1977. The principal amount is secured by a first mortgage charge against certain mining properties and equipment of the mortgagor.

### 3. Share capital

The share capital of the Company consisted of:

Authorized

5,500,000 shares of no par value

Issued

	1977		1976	
	Shares	Consideration	Shares	Consideration
Balance, beginning of year .....	3,556,196	\$2,144,035	3,556,196	\$2,144,035
Purchase by the Company				
Balance, January 1 .....	212,225	104,003	200,500	98,279
Purchased during the year ....	112,300	60,535	11,725	5,724
	<u>324,525</u>	<u>164,538</u>	<u>212,225</u>	<u>104,003</u>
Balance, end of year .....	<u>3,231,671</u>	<u>\$1,979,497</u>	<u>3,343,971</u>	<u>\$2,040,032</u>

## NOTES TO FINANCIAL STATEMENTS (cont'd)

### 4. Extraordinary item

The credit of \$35,700 in 1977 arises from the reduction in income taxes due to a claim for capital cost allowance in excess of the depreciation included in costs and expenses, and a deduction of mining exploration expenditure which was carried as a deferred expenditure.

### 5. Statutory information

The aggregate direct remuneration paid to directors and senior officers (as defined in the Business Corporations Act, Ontario), was \$26,050 in 1977 and \$36,400 in 1976.

## COMPARATIVE FINANCIAL SUMMARY

	December 31	
	1977	1976
Earnings before extraordinary item .....	\$ 35,801	\$ 67,683
Net earnings (loss) .....	\$ 71,501	\$ 72,683
Earnings before extraordinary item per share .....	—	—
Net earnings (loss) per share .....	\$ .02	\$ 0.22
Dividend paid .....	—	—
Current assets .....	\$2,669,375	\$2,824,087
Current liabilities .....	\$ 12,827	\$ 110,481
Working capital .....	\$2,656,548	\$2,713,606
Shares issued .....	—	—





